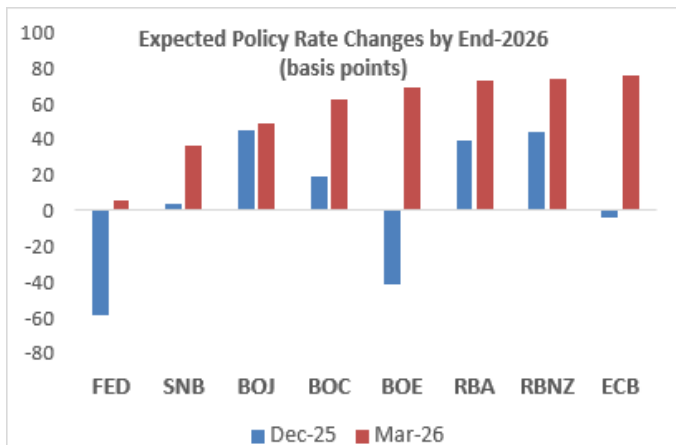


## OUTBREAK OF WAR WITH IRAN AND OIL SHOCK HITS GLOBAL MARKETS

### Central Banks Policy Shift

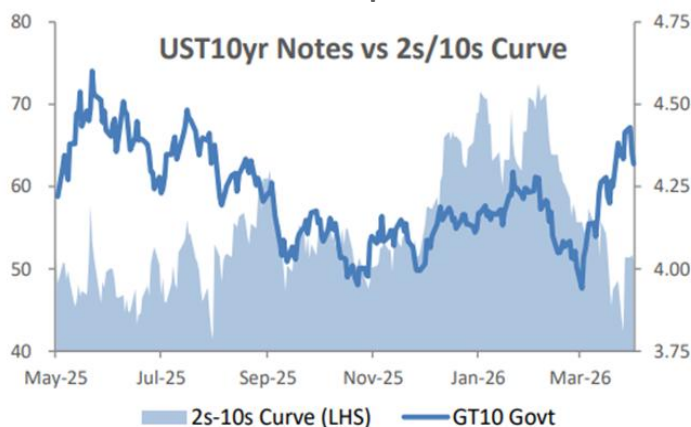


The first quarter of 2026 began with a cautiously constructive macro backdrop and ended with markets scrambling to reprice nearly every major asset class. The catalyst was singular. On February 28, the United States and Israel launched a coordinated air campaign against Iran, and Iran responded by effectively closing the Strait of Hormuz, through which roughly a fifth of the world's seaborne oil transits. The supply shock that followed was the largest on record in the history of the oil market, and the International Energy Agency's chief characterized the situation as an unprecedented challenge to global energy security.

### United States: Resilient, Now on Notice

Through most of the quarter, US data were broadly reassuring. Unemployment averaged 4.3 percent in Q1, a touch lower than Q4. Monthly job creation ran near 70,000, a meaningful improvement over the roughly 15,000 monthly pace that characterized much of 2025. Consumer spending picked up modestly after a soft close to last year. The inflation picture had been improving as well. Year-over-year CPI fell from 2.7 percent in November to 2.4 percent in February. Core CPI ticked down from 2.6 to 2.5 percent over the same window, helped by lower energy inflation, continued rent disinflation, and softening owners' equivalent rent. The concerns that remained were tariff-driven core goods inflation and sticky non-housing services, though the latter looked less threatening given wage growth slowing to 3.4 percent by March.

### Curve Flattens and Yields Spike



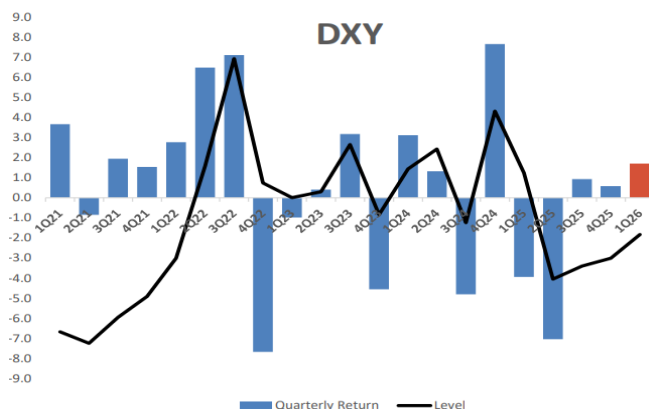
Then the Strait of Hormuz closed. Gasoline prices jumped more than a dollar, a move that will flow into headline CPI going forward and erode the wage buffer households had been building. The 3.4 percent wage growth that looked adequate against a 2.4 percent CPI print looks considerably thinner against a shock of this magnitude. Q4 real GDP came in at just 0.7 percent, dragged lower by the government shutdown, which clipped roughly a full percentage point from the print. An offsetting rebound was expected in Q1 2026, though the energy shock now introduces a fresh drag on real consumption that partly offsets that mechanical payback.

### Central Banks: Plans Meet Reality

Heading into the quarter, most G10 central banks looked comfortable. The easing cycle of 2025 had tamed inflation in most economies, and the dominant posture in January was patient observation. That posture held for roughly six weeks. Then the Iran conflict arrived and forced a rapid rethink about where inflation was headed. The Fed held at both its January and March meetings. The March dot plot still showed a median projection of one cut for 2026, but the logic behind it changed materially. In January, holding was about waiting for the last mile of disinflation. In March, holding was about not easing into an energy-driven inflation shock. Chair Powell was explicit that higher oil and gas prices would lift near-term inflation, while emphasizing that the path beyond was genuinely uncertain.

Among G10 peers, the Reserve Bank of Australia broke ranks entirely and hiked twice during the quarter. The Bank of England delivered the sharpest hawkish shift in forward guidance at its March meeting, preparing markets for the possibility that cuts were off the table until the energy shock cleared. Emerging markets told a very different story. With domestic inflation trajectories still improving and local currencies reasonably well behaved for energy exporters, Brazil's central bank began a cutting cycle in March, and Mexico's Banxico trimmed 25 basis points. The developed-versus-emerging policy divergence widened noticeably by quarter end.

## US Dollar Index (DXY)



## Fixed Income & Credit: Curve Flattens, Credit Cracks

Rates did exactly what a supply-side inflation shock would predict. Two-year yields jumped 32 basis points as the market priced out cuts, while the long end moved far less. Ten-year yields rose 15 basis points to 4.32 percent, and 30-year yields added just 7 basis points to 4.91 percent. The two-year ended at 3.80 percent, and the 2s-10s curve flattened by 17 basis points to 52 bps. Fed Funds futures ended the quarter pricing only about 7 basis points of cumulative cuts through year-end 2026, down from 58 basis points at the end of 2025. That is a substantial repricing for a single quarter and speaks to how cleanly the Iran conflict overwrote the prior disinflation narrative.

Credit widened across the board. IG corporate spreads finished March at 94 OAS, 11 basis points wider on the quarter, and underperformed treasuries by 49 basis points. Financials led the weakness at plus 16 bps, with industrials and utilities trailing at plus 9 and plus 8 bps. Quality mattered throughout. AAA and AA widened just 7 to 8 basis points, while A and BBB widened 11 to 13. High yield was where the real stress showed, with spreads 51 bps wider at 317 and lower-rated names underperforming sharply. Securitized credit was the quarter's quiet winner. Agency MBS added 16 basis points of excess return, ABS added 10 bps, and CMBS delivered 33 bps overall, led by agency CMBS at plus 37. The structural resilience of these sectors, combined with their lower sensitivity to the commodity shock driving corporate stress, explained the outperformance.

## Inflation-Linked and Real Assets: Where the Shock Was Priced Directly

This was the quarter's signature story. Oil and gasoline prices soared after the US and Israel struck Iran, and the retaliatory disruption took roughly 20 percent of global supply offline. Inflation-linked assets reflected the shock directly. TIPS breakevens widened across the curve, with the 10-year outperforming nominal treasuries by 29 basis points. Global inflation-linked bonds mostly rallied, led by Germany, France, Spain, and New Zealand. Japan and Sweden were the notable exceptions with negative returns, both reflecting local factors

## Global Currency Performance

Currency Total Returns (%)		
	Q1'26	Trailing 1 Year
Brazilian Real	5.7	10.1
Norwegian Krone	4.1	8.4
Australian Dollar	3.4	10.5
Colombian Peso	2.8	13.9
Chinese Renminbi	1.4	5.3
Mexican Peso	0.4	14.1
New Zealand Dollar	-0.2	1.2
Swiss Franc	-0.9	10.6
Japanese Yen	-1.3	-5.5
Canadian Dollar	-1.4	3.4
Euro	-1.6	6.8
British Pound	-1.8	2.4
South African Rand	-2.2	8.2
Swedish Krona	-2.7	6.0
Chilean Peso	-2.8	2.7
Philippine Peso	-3.2	-5.8
Polish Zloty	-3.4	4.3
Turkish Lira	-3.4	-14.7
Indian Rupee	-5.2	-9.9
South Korean Won	-5.2	-3.1

more than the global story. Precious metals hit all-time highs in January before giving back some gains on profit-taking. That early-quarter rally looks prescient in hindsight. Soft commodities traded well throughout the quarter. REITs rallied into February, then handed back gains during the March rate selloff, a useful reminder that real assets do not always behave as inflation hedges when the immediate driver is a rates repricing rather than realized inflation.

## Currencies: An Energy-Weighted Quarter

The dollar posted a third consecutive quarter of gains, with the DXY rising roughly 1.7 percent. But the aggregate number masks the real story, which was a clean sorting of currencies by their energy exposure. Winners and losers divided along the lines you would draw on a commodity balance sheet. Net oil exporters outside the Middle East, notably the Brazilian Real, Norwegian Krone, and Colombian Peso, all gained against the dollar, supported by high real yields, hawkish central bank policy, and improved domestic politics. The Chinese Renminbi also held up well. Net oil importers and non-energy commodity exporters lagged. The South Korean Won was the quarter's weakest performer, hurt by both its AI-linked export exposure and its dependence on imported energy. The Indian Rupee continued its quiet slide, and the Polish Zloty weakened as European natural gas prices rose on the Gulf disruption.

## NCA OUTLOOK AND POSITIONING

The global macro backdrop is shifting from easing to a cautious pause, with central banks holding steady as renewed energy-driven inflation risks push policy in a more hawkish direction. While the U.S. economy has shown resilience—supported by a stabilizing labor market and improving consumer activity—that strength is likely to be tested by higher energy costs and persistent price pressures. Inflation progress has slowed, and recent commodity shocks raise the risk of a reacceleration, complicating the path for rate cuts. Globally, growth momentum remains intact but is becoming more fragile, with business sentiment softening and input costs rising. Overall, the outlook points to a narrower policy path, where central banks balance lingering inflation risks against a still-resilient but increasingly challenged growth environment.

**Duration (Overweight):** The bond market reaction to the conflict in the Middle East is overblown. Yields rose 30-40 basis points across the curve in March. The market implied long-term Fed Funds rate rose 70 basis points to 3.50%, essentially pricing out any additional rate cuts over the coming years. There is no question inflation will increase in the coming months causing the Fed to hold rates steady. However, the impact to growth longer term should push longer maturity yields lower and skew the Fed towards rate cuts which will benefit short and intermediate maturity bonds.

**Term Structure (Overweight intermediate and longer maturity bonds):** The market implied terminal Fed Funds rate rose 70 basis points to 3.50%, essentially pricing out any additional rate cuts over the coming years. This should move towards 3% in the coming months, making an overweight intermediate maturity securities attractive. The negative impact to growth from the war in the Middle East should push longer maturity yields lower.

**Credit (Underweight):** Although we continue to maintain an underweight to IG Corporates, we have reduced our underweight to 10+ maturities as spreads have widened and credit curves have steepened over the course of the quarter. While we still see limited spread cushion and asymmetric downside risk in IG Corporates versus other high quality carry alternatives, such as securitized products, we believe that benign credit fundamentals and higher all in yields will continue to be supportive of high quality, long paper.

**ABS (Overweight):** See value in triple net lease and fiber ABS.

**Agency MBS (Overweight):** Regulatory tailwinds and GSE demand, relative value vs investment grade corporate bonds, and favorable valuations vs. SOFR swaps should support mortgages. Favor lower coupon, credit impaired bonds which have higher prepayments and will do well if they yield curve steepens. We also favor 5.0-4.5% coupon bonds which offer attractive carry, enough discount to perform well even if rates rally further, and limited extension risk.

**Non-Agency RMBS (Overweight):** Favor AAA-rated, deep discount, positively convex mortgages that will benefit from a rally in short and intermediate yields. Also favor new issue, high coupon securities with limited extension risk.

**CMBS (Trimming overweight):**

Still favor an overweight short maturity, AAA-rated CMBS, although began taking profits on outperformance vs investment-grade corporate bonds.

**Inflation (Neutral):** Longer-maturity TIPS remain an attractive hedge for structurally higher inflation, although inflation volatility and the impact to growth following the war in the Middle East has made adding less attractive currently.

## STRATEGY HIGHLIGHT: MULTI-ASSET – OPTIMIZING INVESTMENT OPPORTUNITY

Since inception: 5/2009- 3/2026	NCA Multi-Asset	Bloomberg Aggregate
<b>Beta</b>	0.65	1.00
<b>Standard Deviation</b>	5.78	4.30
<b>Sharpe Ratio</b>	0.74	0.33
<b>Upside Capture (%)</b>	111.4	100.0
<b>Downside Capture (%)</b>	54.7	100.0
<b>Ann. Gross Performance (%)</b>	5.66	3.41
<b>Ann. Net Performance (%)</b>	4.89	3.41

Source: NCA and eVestment. Risk statistics using Gross of Fees.

NCA Multi-Asset proved its mettle in 1Q with a return of +2.16% vs. -0.05% for the Bloomberg Aggregate and -3.96% for the Russell 3000. How did it outperform both bonds and stocks? Through utilizing a broad investment toolkit to provide incremental return potential beyond traditional fixed income. At its core, Multi-Asset maintains a large allocation to high-quality fixed income securities to provide income, stability, and downside protection, while selectively incorporating equities, credit, and other diversifying assets to enhance total return.

This “Bonds Plus” approach aims to outperform a standard fixed-income-only portfolio over time, but with less volatility and drawdown risk (Exhibit 5). The result is a more measured risk profile that still participates in upside opportunities without overexposing investors to equity market volatility. For example, Multi-Asset’s volatility is 5.78 vs. 14.74 for the Russell 3000 as measured by standard deviation since the strategy’s inception in May 2009. As demonstrated during the oil shock in Q1, rising volatility and uncertain policy paths can challenge both equities and duration-sensitive bonds, but a multi-asset framework allows for dynamic positioning across asset classes as conditions evolve. Exposure to commodities, inflation-sensitive assets, and shorter-duration credit can help hedge against energy-driven inflation shocks, while the core bond allocation continues to anchor the portfolio during risk-off periods. In this way, this “Bonds Plus” strategy offers a pragmatic middle ground providing resilience during market stress while retaining the ability to capture incremental returns as opportunities emerge.

### Multi-Asset Performance Attribution in Q1

**Equities:** added ~95bps, driven by MLPs, materials, small cap and industrials, which offset weakness in non-US, which came under pressure in March with the war in Iran.

**Commodities:** added ~65bps driven by strength in precious metals.

**US TIPS:** Portfolio’s short-dated TIPS added ~50bps to performance benefitting from slightly lower real yields and strong inflation compensation.

**FX:** Currency positions added ~10bps, driven by gains in the NOK and AUD vs. the SEK.

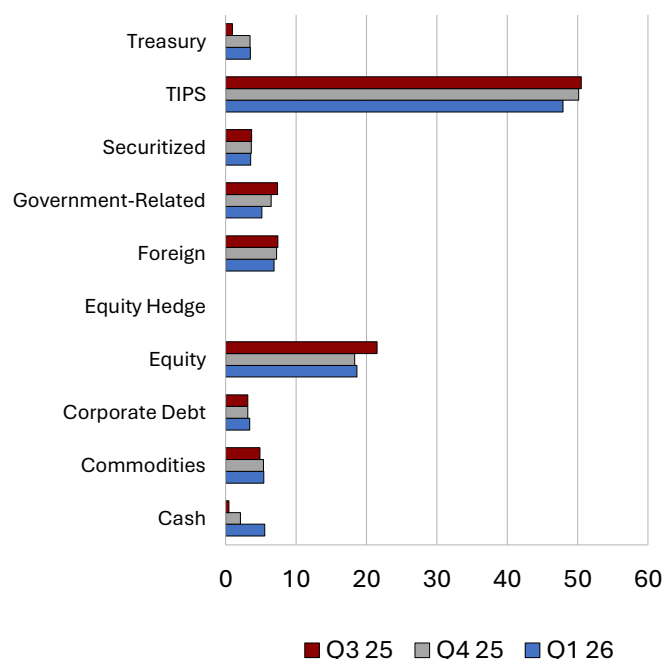
**Agencies:** callable agencies added ~5bps, driven by strong carry.

**MBS:** added ~5bps as higher rates and rate volatility weighed on the sector

**Corp Bonds:** added ~5bps, short-dated floating rate corporate bonds added to returns.

**EM local debt:** detracted ~15bps, as the war in Iran weighted on bond yields and foreign currencies vs. the USD.

Multi-Asset Sector Weighting (%)



**Co-CIO: Ellen Safir, CFA**

B.A. Bennington College  
 Founded New Century Advisors in 2002  
 30+ years of experience



**Co-CIO: Nils Overdahl, CFA**

M.B.A. University of Chicago;  
 B.A. University of New Hampshire  
 Joined NCA in 2002  
 29 years of experience

### STRATEGY PERFORMANCE

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
NCA Short Duration (Gross)	0.46%	4.67%	4.85%	2.72%	2.89%	3.12%
NCA Short Duration (Net)	0.37%	4.31%	4.48%	2.37%	2.53%	2.76%
Bloomberg Gov't/Credit 1-3	0.28%	3.96%	4.35%	2.04%	2.02%	2.34%
Excess Return (Gross)	0.18%	0.72%	0.50%	0.69%	0.87%	0.78%

Inception Date: 08/2003

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
NCA Core (Gross)	0.09%	4.94%	4.06%	0.54%	2.33%	4.05%
NCA Core (Net)	0.00%	4.57%	3.69%	0.19%	1.97%	3.68%
Bloomberg U.S. Aggregate Index	-0.05%	4.35%	3.63%	0.31%	1.70%	3.28%
Excess Return (Gross)	0.14%	0.59%	0.42%	0.23%	0.63%	0.77%

Inception Date: 08/2006

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
NCA Intermediate Core (Gross)	0.17%	5.33%	4.69%	1.44%	2.52%	2.63%
NCA Intermediate Core (Net)	0.08%	4.97%	4.32%	1.09%	2.16%	2.27%
Bloomberg U.S. Intermediate Aggregate Index	0.11%	4.83%	4.23%	1.03%	1.84%	2.09%
Excess Return (Gross)	0.06%	0.50%	0.46%	0.41%	0.68%	0.54%

Inception Date: 07/2013

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
NCA Multi-Asset (Gross)	2.16%	12.35%	8.86%	5.54%	5.96%	5.66%
NCA Multi-Asset (Net)	1.97%	11.52%	8.05%	4.75%	5.17%	4.88%
Bloomberg U.S. TIPS (US ILB)	0.26%	3.00%	3.18%	1.48%	2.66%	3.41%
CPI	0.66%	2.72%	3.01%	4.52%	3.16%	2.46%

Inception Date: 05/2009

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
NCA U.S. TIPS (Gross)	0.19%	3.08%	3.20%	1.48%	2.87%	3.33%
NCA U.S. TIPS (Net)	0.11%	2.72%	2.84%	1.13%	2.51%	2.97%
Bloomberg U.S. TIPS (US ILB)	0.26%	3.01%	3.18%	1.48%	2.66%	3.10%
Excess Return (Gross)	-0.07%	0.07%	0.01%	0.00%	0.20%	0.23%

Inception Date: 04/2010

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
NCA Global Credit (Gross)	-0.92%	6.21%	5.17%	0.36%	-	1.76%
NCA Global Credit (Net)	-1.01%	5.84%	4.80%	0.01%	-	1.40%
Bloomberg Global Credit Index	-1.30%	6.03%	5.09%	0.12%	-	1.06%
Excess Return (Gross)	0.37%	0.17%	0.08%	0.25%	-	0.69%

Inception Date: 12/2019

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
NCA TIPS/Treasury (Gross)	0.40%	3.74%	3.51%	1.75%	-	1.60%
NCA TIPS/Treasury (Net)	0.33%	3.49%	3.25%	1.49%	-	1.35%
50/50 Blended Index	0.30%	3.62%	3.39%	1.26%	-	1.10%
Excess Return (Gross)	0.09%	0.13%	0.12%	0.48%	-	0.50%

Inception Date: 03/2021

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Bloomberg Bank of America 1-Year Treasury-Bill Index - Is an unmanaged index tracking U.S. government securities. The index is produced by Bloomberg to match the Bank of America Merrill Lynch 1- Year Treasury-Bill Index.

Bloomberg U.S. Aggregate Index is an unmanaged market index which represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg U.S. Intermediate Aggregate Index is an unmanaged market index which represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with less than 10 years to maturity. The index components are government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg U.S. Treasury Inflation-Linked Bond Index is an unmanaged market index comprised of all U.S. Treasury Inflation- Protected Securities rated investment grade or better, having at least one year to final maturity, and at least \$500m par amount outstanding.

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